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Nation's Restaurant News®

The Weekly Newspaper of the Food-Service Industry

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USDA rejects ingredient labeling for fast food

NRN *Washington Bureau*

WASHINGTON — Forget mandatory labeling on fast-food packages for now.

The U.S. Department of Agriculture (USDA) has denied a petition that would have required the listing of ingredients on fast-food wrappers and containers, telling consumer advocates that such labeling would be too complex and costly.

While the USDA's decision is seen as a major victory for operators and food-service groups that have vigorously opposed mandatory labeling, the issue is still not dead. The Food and Drug Administration (FDA) is considering a similar petition from consumer groups to require labeling.

"There is no practical way for the Department to assure accurate labeling on all products being sold by these restaurants," Raymond Lett, USDA assistant secretary for marketing and inspection services, told the petitioning Center for Science in the Public Interest (CSPI). "The labeling is too complex and the number of establishments too vast," he said.

The USDA decision is supported by the National Restaurant Association,

*(See **USDA**, page 51)*

Max & Erma's old menu proved too unwieldy.

Streamlined menu for Max & Erma's

Chain seeks broader appeal

By Paul Frumkin

COLUMBUS, Ohio — Max & Erma's Restaurants, a struggling, 11-unit casual-theme chain based here, has revamped its menu in an attempt to streamline kitchen operations and product mix as well as attract a broader, more sophisticated customer base.

The old 45-item menu, which was implemented early last year, had proved too unwieldy to offer with consistent quality, explained Mark Emerson, vice president of operations. "The physical plants were taxed," he said. "It was more than just a modest challenge to produce the old menu."

The overall number of dishes has been reduced also. Although 24 new items have been added, the new menu contains seven or eight fewer listings than its predecessor had. "If you cut down the amount of items, chances are you're going to improve the quality," Emerson added.

However, the new menu does not signal a return to the days when Max & Erma's relied on its 10-oz. hamburger

*(See **MENU**, page 51)*

Max & Erma's

Columbus, Ohio
Owns 11 Max & Erma's and one Clarmont Steakhouse
Barry Zacks, ceo; Todd Barnum, president
Third quarter ended Aug. 4:
Revenue: $3.98 million, up 1%
Net loss: ($225,000)
Year-to-date (40 weeks):
Revenue: $12.6 million, down 10%
Net loss: ($131,000)

Operators brace for rough winter

Flat 1st-quarter sales seen

By Rick Telberg

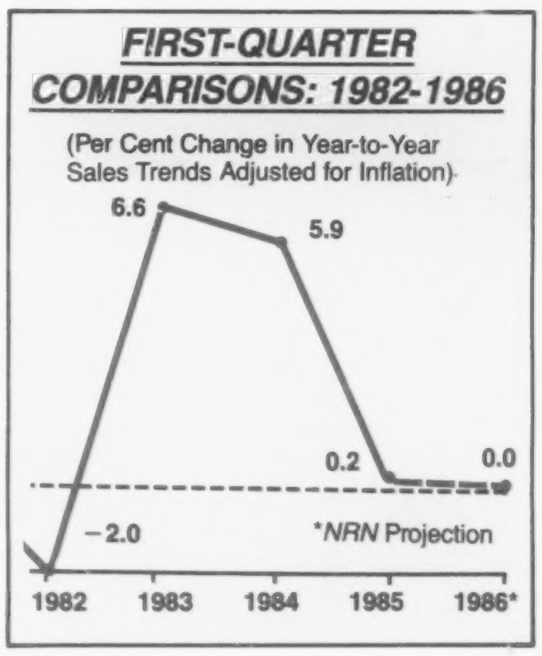
Facing what in the best of times would be the toughest quarter of the year, food-service operators across the nation are bracing this winter for a new wave of cutthroat competition.

Traffic is still "down, down" in the first quarter, said a spokesman for Restaurant Trends, a market research concern based in Middletown, N.J.

An informal sounding of key industry players and observers shows they believe overall sales and profits in January, February and March will be as bad as last year's first quarter—or worse. That quarter was recalled as unusually severe.

Operators said a deciding factor this quarter could be

*(See **FORECAST**, page 51)*



Valenza back with Buona Tavola

High-ticket Italian fare draws sophisticated clientele

By Ken Frydman

NEW YORK — Frank Valenza, who once boasted of operating the most expensive restaurant in the country, the now-defunct Palace, has returned to the Manhattan dining-out scene with a fancy, high-priced northern Italian restaurant called Buona Tavola.

The 50-seat restaurant on East 58th Street between Second and Third Avenues is drawing a sophisticated clientele similar to the customers who frequented The Palace, which served French food. Average per-person checks at Buona Tavola are $100 with wine.

Valenza said he has assembled the menu for his new venture with an awareness of the still competition in the Italian segment in New York. Buona Tavola is situated on a street that houses 13 other Italian restaurants.

"All northern or southern Italian restaurants are basically the same," Valenza declared. "This is my own interpretation of what dining in Italy is like." He added, "Sure there's a lot of competition among northern Italian restaurants in New York, especially on this street. But I think that what we're doing makes us unique and different."

What Valenza is doing is similar to what he did at the Palace—offering customers a special "tastings menu" composed of a samplings cross section of his own creations. In this case the six-course, $55 per-person dinner includes an antipasti, pasta, meat or fish dish; dessert; and coffee; the two additional sample tasting courses, or *assaggini*, cost $20 per person. Including wine, which ranges from $20 to $550 a bottle, the average per-person tab is hitting $100, according to Valenza. Buona Tavola is currently open only for dinner, from 5:30 p.m. until 10:30 p.m. Monday through Thursday and until 11

*(See **VALENZA**, page 51)*

AMR Corp. plans sale of Sky Chefs

Final negotiations under way

By Peter Romeo

ARLINGTON, Tex. — AMR Corp. is in final negotiations for the sale of its Sky Chefs inflight feeding operations to Onex Capital Corp., a Toronto-based investment concern, according to analysts and a source close to the deals.

The analysts estimated the price at $100 million to $150 million.

Sky Chefs spokesman Joseph Camperson declined to comment on the reports. But other sources said AMR informed Sky Chefs' 7,500 employees late last year that it was considering several offers for the contract feeder.

In an address to security analysts last October, AMR chairman Robert Crandall also admitted the possibility of a sale. Crandall said at the time that Sky Chefs, the nation's third-largest inflight feeder, would benefit a non-airline company more than it would AMR, which is also the parent of American Airlines.

"It makes a hell of a lot of sense," Robert Joedicke, an airline analyst with Shearson Lehman Brothers in New York, said of the pending sale.

He explained that free-standing companies specializing in inflight feeding often provide better food than an airline's own catering division.

In addition, "airline labor costs tend to be higher than for a [food-service] contractor," Joedicke said. "So it's a matter of getting something better for less money. It's part of a tendency in the [airlines] industry right now to contract out."

Sky Chefs' 29 kitchens provide inflight meals to about 50 airlines. In addition, the concern operates about 260 concessions in airport terminals and along the New York and Illinois state highways.

Sky Chefs' 1985 sales-per-outlet averaged $5.5 million, the highest among all U.S.

*(See **AMR**, page 4)*

Sky Chefs
Arlington, Tex.
J. J. O'Neill, president
Operates 29 kitchens providing inflight meals to about 50 airlines and about 260 airport and highway concessions.
Sales for 1985 were $365.3 million, according to *NRN* research.

Ponderosa names marketing chief

Appoints Church's Gonzales

By Mark Schoifet

DAYTON, Ohio — Ponderosa Steak House president Thomas J. Russo, who vowed last year to "gut the entire image" of the 604-unit chain, has taken a step in that direction with the appointment of Fred Gonzales as senior vice president of marketing.

Gonzales, 38, who left a similar position with Church's Fried Chicken to take the new job, brings a "well-respected, proven track record" to the Ponderosa marketing team, Russo said.

While at Church's, Gonzales was credited with developing and overseeing the chain's first sustained national marketing and advertising program. In 1985, for example, Church's spent more than $25 million on advertising, up 50% from the figure for the previous year.

At Ponderosa, Gonzales replaces George H. Kilpatrick, who resigned as marketing vice president. Russo declined comment on Kilpatrick's tenure at Ponderosa, which lasted about two years. Sources said that Kilpatrick's background was in packaged goods and that he lacked solid restaurant experience. Gonzales was marketing vice president of Vicorp's Poppin' Fresh restaurants before joining Church's.

Russo said Ponderosa would be "a much stronger, marketing-driven company" under Gonzales, but he declined to cite any specific

*(See **PONDEROSA**, page 4)*

Shoney's stumbles as experts predict slowdown

By Howard Riell

NASHVILLE — Shoney's, one of the most highly regarded restaurant companies, may be in for uncharacteristic tough times, according to some securities analysts, who project slower-than-usual growth rates through 1986.

Despite a 23% rise in net profit in fiscal 1985, Shoney's stock tumbled 10% in one recent week after Prudential-Bache analyst Michael Culp issued a report showing scaled-back earnings estimates of just 13% over the next 12 months. Alex. Brown & Sons recommended that investors not buy Shoney's stock at this time.

Among the factors cited by analysts were an anticipated slowdown in new-store expansion, recent traffic falloffs at Shoney's coffee shops, management that is stretched thin by previous expansion and increased competition from fast feeders at breakfast.

Shoney's executives declined comment on the reports.

Each analyst stressed, however, that he remained optimistic about Shoney's—just not as optimistic as in the past. The chain has recorded 106 consecutive quarters in which revenues and net profit from operations exceeded results in the same quarter of the previous year.

Revenue for the fourth quarter ended Oct. 27 rose 14%, to $117 million. Net profit increased 17%, to $9.6 million, the company said. For the year, revenue jumped 15%, to $546.5 million, and net profit increased 23%, to $37 million.

During the year Shoney's opened 50 company-owned restaurants: 21 Shoney's, 20 Capt. D's, eight Lee's Famous Recipe Chicken units and one specialty dinner house. Fifty-one franchised units were also opened.

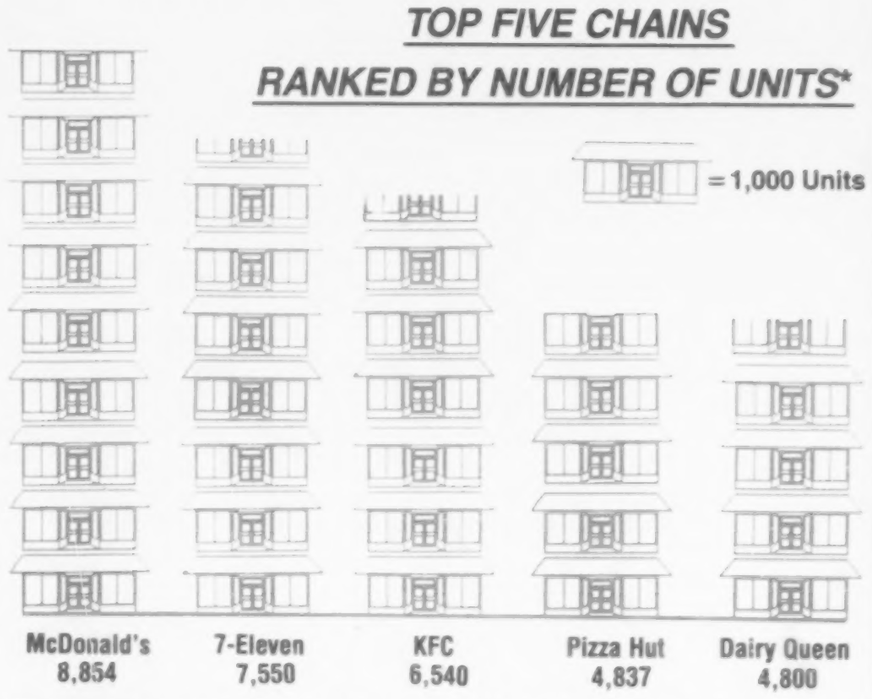
After having expanded Shoney's and Capt. D's chains by 11% and 14%, respectively, in 1985, the company has budgeted just 11% unit expansion for each division in 1986, Culp wrote. "We had been hoping that Shoney's, after having dropped out of the Big Boy family in 1984, would be accelerating expansion at this juncture, but it isn't," he observed. "It is possible that the slowdown will be short-lived . . . but Shoney's is a conservatively managed company that likes to fund most, if not all, of its expansion internally.

"If the pace of new store openings doesn't pick up," Culp continued, "Shoney's will have difficulty generating even 15% growth in fiscal 1986 and more than 18% growth longer term."

Baltimore-based Alex. Brown & Sons cited the same reasons for its recommendation not to purchase Shoney's stock at this time. Analyst Steve Rockwell pointed to insufficient unit-level management as a major reason for slowed expansion. "Don't forget," he told *NRN*, "it's a high base that you are comparing [Shoney's stock price drop] against. It's 10% off an all-time high. Shoney's is still one of the best, if not the best, operated companies in the industry, with an unblemished record. Over the rest of the cycle sales will still come out better than most."

NRA FACT FILE

TOP FIVE CHAINS
RANKED BY NUMBER OF UNITS*



*Estimates for total number of units at end of fiscal 1985, excluding contract feeders

Source: *NRN* research; company reports

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LATE NEWS DIGEST

Nestle tests cafe

WASHINGTON — A new concept featuring filled baguette bread sandwiches is being tested by the Nestle Co. at the Georgetown Park Shopping Center here. Called Francelle's Express Cafe, the unit is patterned after six Franquette units that Swiss-based Nestle has been testing in France, Belgium and West Germany in a joint venture with the French manufacturer of the baguette products.

Heading the U.S. project for Nestle, parent of the Stouffer Restaurant Co. and Stouffer frozen foods, is Jack Miller, former Burger King and Popeyes purchasing director and Nestle's European fast-food products director for the past five years.

Salad sales are strong

NASHVILLE — Mrs. Winner's Chicken & Biscuits, a fried chicken chain, is considering an expansion of a test of new "Thinner Dinner Salads" that were introduced in Baton Rouge in November. Customer response to the shrimp and crab, chicken and tossed salads has been strong, marketing chief Steve Gendreau said.

Assembly restaurant sold

NEW YORK — Jerry Ossip, founder of the Assembly Steak and Fish House at 630 Fifth Ave., has sold the 11-year-old midtown restaurant to George Sabatakos. New general manager George Fillos said the Assembly's staff and concept would remain intact.

WALL STREET UPDATE

6.0

Index drops to 135.3

NEW YORK — The *Nation's Restaurant News* Food-Service Operators Stock Index dropped 6 points in the week ended Jan. 10, closing at 135.3, after a record finish the previous week. Price-change losers outnumbered winners 61 to 26.

(Story, charts on pages 52-53

Consul promotes Etter

MINNEAPOLIS — William D. Etter has moved up to president of Consul Restaurant Corp., a Chi-Chi's franchisee, succeeding James H. Crivits, who remains chairman and chief executive. Etter, who was a vice president, remains chief operating officer and becomes a director.

Consul disclosed that it signed new revolving credit agreements totaling $3.5 million, which removes the company from default status on its previous agreement.

Proxies favor merger

PASADENA, Calif. — Acapulco Restaurants Inc., operator of 31 Mexican dinnerhouses, said it had received proxies indicating 52% of the common stock to be voted at a special shareholders' meeting Jan. 23 would favor a merger into Restaurant Associates Industries Inc. of New York, which is holding a meeting the same day to approve the transaction.

Coffee bean prices rise 35% in three months

NRN Special Report

The extended drought in Brazil, which has continued for several months, at presstime had been only minimally relieved by a few scattered rains throughout the growing areas. Not one of the rains was enough to relieve the disastrous effects of the record dry period.

At first, the impact on U.S. food-service operators was

Commodities

thought to be limited to higher prices for coffee. It now appears likely that frozen orange juice concentrate and soybean prices will rise here. Those additional crops are now being hard hit by the lack of rain and elevated temperatures in the below-the-equator summer. Reductions in Brazilian production will affect world prices for all three commodities and will have an impact on other food prices as well.

Prices for green coffee beans in New York City have already risen by about 45% in the past three months. Present estimates anticipate a drop of about 35% in the crop—provided that the drought ends this month. Major roasters have already raised prices twice in December, the last one a major rise of about 60¢ a pound. With the price of green coffee continuing to go up, more price hikes are expected.

The coffee trees have lost three of the four blossomings that normally occur, and the final one is much reduced. If rains do not come soon, there is a good chance that the crop may be far less than even the gloomy forecasts to date and that many of the trees may be lost.

Some observers still expect other countries, especially Colombia, to supply much of the shortage created by Brazil's anticipated crop loss. However, there is doubt that there is actually that much uncommitted coffee available. Colombia, which does have a good stockpile and hopes for a bumper crop this year, does not have the physical facilities to handle major demands.

Colombia's road system is said to be one of the worst in Latin America, and it stores most of its coffee in the countryside, not at the seaside ports. Having to use small trucks and horse-and-cart hauling will force the country to market on a stretched-out timetable, leaving it unable to accommodate sharp peaks of demand. That is expected to create broader swings in price than are normal.

There is a possibility that the orange crop may not be so bad off as coffee—if rains come to Brazil's growing areas by the end of this month.

PRICE MOVEMENT AT A GLANCE

	Jan. 6, 1985	Dec. 6, 1985	Jan. 6, 1986
Beef, Choice, 700-900 lb., Midwest (lb.)	$0.96	$1.00	$0.95
Blueberries, Fancy cultivated, frozen, Mich. (lb.)	$0.65-$0.68	$0.54-$0.57	$0.58-$0.60
Broilers, Grade A dressed, icepack, N.Y.C. (lb.)	$0.5477	$0.5365	$0.5382
Carrots, No. 1 Jumbo loose pack, Calif.	$4.00	$5.00	$7.00
Cod, blocks & slabs, frozen, Canadian, Boston (lb.)	$1.06	$1.25	$1.30-$1.33
Coffee, green beans, Brazilian, NYC (lb.)	$1.37	$1.65	$2.20
Eggs, large white, Grade A, Chicago (doz.)	$0.49	$0.71-$0.74	$0.71-$0.74
Lettuce, iceberg, No. 1, Calif. & Ariz. (24s)	$6.00-$8.00	$9.00-$10.00	$6.00-$8.00
Pork loins, No. 1, 14-17 lb., Midwest (lb.)	$0.92	$0.97	$0.98
Sweet potatoes, Grade A whole, 30/40 count, La. (6/10)	$15.75	$17.00	$15.25

Source: *NRN* research

Illinois restaurateurs adapt to new liquor law

(Continued from page 3)

cocktail drinkers taking to ordering beer over ice, Earley said.

Jim Rittenberg, owner of Faces in the Rush Street nightclub district as well as the Juke Box Saturday Night chain, said he supports the state's new law. "I think the new Illinois law is great," he explained. "It puts the blame on the drunk driver rather than on the host. It's the guy who puts the key in the hole who's guilty.

"The more the public becomes aware of the problem, the better it is for the industry," Rittenberg said. On New Year's Eve, the night the new law became effective at midnight, Faces grossed $28,000, he noted.

The trend toward lighter drinking has caused average covers to decrease from $11 to $9 at Bentley's, a nightclub near O'Hare Airport that draws both out-of-towners and local trade with its mock gambling casino. Sales, though, are up 80% since the club changed from its former disco format, said Michael Holtz, general manager.

"The casino draws people coming out to have a good time rather than going out to drink," Holtz said. Bentley's also has a mock bar that serves more than 35 nonalcoholic beverages.

In other developments some municipalities are bringing up the issue of late-night closings to a popular vote. South suburban Calumet City, where 38 of the 110 liquor licensees have 4 a.m. closing licenses, will have a spring advisory referendum proposing that all licensees close at 2 a.m.

In west suburban Cicero, voters passed an advisory referendum last fall in favor of 2 a.m. closings. Some 10 taverns now have 6 a.m. licenses there.

Church's Gonzales to join Ponderosa as marketing vp

(Continued from page 2)

"It is my personal belief that marketing is an equal partner with operations," Russo said. "Stong operations need strong marketing. One complements the other."

Gonzales said his first priority is "to develop an organization responsive to the needs of the business." He also said he would oversee marketing, product development, new concepts, research and planning.

"Tom Russo is one heck of a leader, and he knows exactly where he wants to take this business," Gonzales said. "With his leadership, Ponderosa will not only survive but will do quite well in '86."

Russo joined Ponderosa as president of the Steak House division and executive vice president of parent Ponderosa Inc. in February 1985.

Thomas J. Russo
Ponderosa president

AMR Corp. plans to sell Sky Chefs

(Continued from page 2)

contract feeders, according to *Nation's Restaurant News'* Top 100 ranking of food-service concerns.

The listing projected Sky Chefs' 1985 revenues at $365.3 million, making it the nation's seventh-largest contract feeder and the third-largest in-flight feeder, behind Marriott and Dobbs House.

But the concern has posted lower sale increases and profits in recent years. Revenues rose by 9.9% last year, compared with a 12.9% increase during 1984, while profits decreased in 1984 to $13.6 million, down 41% from the previous year's.

The acquisition of Sky Chefs would mark Onex Capital's entry into the food-service industry. The closely held company specializes in leveraged buyouts financed through pension fund loans.

TheoDavies acquires Taco Bell franchise

(Continued from page 3)

Heenan said, explaining that the expansion expectations of those franchisors, coupled with the already fierce competition for good sites, would complicate TheoDavies's pizza-taco development plans.

And Heenan places a high priority on his company's good relationship with PepsiCo's two top-ranking chain concepts in their respective categories, as Pizza Hut and Taco Bell clearly are.

The rising tide of budget travelers to Hawaii, attracted in increasing numbers over the last decade by discount airfares and package tours, has resulted in a crowded field of fast-food contenders. Major mainland-based fast feeders have proliferated in the islands, with the help of "beer-and-burger" tourists, mild weather favorable to sales and such demographic factors as Hawaii's ranking as the state with the highest percentage of working wives.

"But real estate here is really expensive, even by California standards," Heenan noted. "A fast-food restaurant with sales of $400,000 a year just can't make it here. You have to drive high volumes to survive."

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Vol. 20, No. 4 January 20, 1986

Flat 1st-quarter forecast

(Continued from page 1)
the weather. Last year it snowed in Texas, and cold reached farther south than normal, according to the National Weather Service in Washington. This year the government's 90-day outlook calls for generally seasonal weather, except for generally colder temperatures and heavier precipitation in the Mississippi and Ohio River valleys.

"If the weather holds, sales could be surprisingly strong," asserted Leonard Roberts, president of the 1,500-unit Arby's chain. But he was one of the few who expressed optimism for the industry.

Most observers said food-service operators were still feeling the pinch of a debt-ridden consumer uncertain of the economic winds and of an overabundance of restaurants, which was spreading the customer base thin.

"Some operators may not make it through the winter," declared Joseph Madigan, chief financial officer of the 3,400-unit Wendy's hamburger chain. "Only the people with the deepest pockets are going to survive the level of discounting that the industry will encounter."

Madigan said McDonald's rollout of the McDLT, a hamburger with lettuce and tomato, sparked a discounting war with buy-one, get-one-free deals. Burger King followed with discounted double cheeseburgers, he said. Wendy's had been aggressively promoting breakfast.

"I see signs of panic forcing people into making major cuts in overhead, expansion schedules and even price rollbacks, which is when you can tell things are really bad," asserted Robert Zia, president of the 213-unit Ground Round family dinnerhouse chain.

He also said dinnerhouses that specialize in bar sales were going to be particularly hard hit. "Insurance costs are going through the roof, and customer counts are going through the floor," he noted. "That's pretty bad."

"We're moderately encouraged by the first week of the new year," said Larry R. Ritter, president of the 473-unit Rax roast beef chain, "but we will have to be very aggressive in our couponing."

Ritter said Rax was running newspaper coupons touting a regular roast beef sandwich for 99¢, marked down from $1.39. "It's giving us short-term sales increases. But it's putting pressure on margins," Ritter said.

USDA rejects labeling plan

(Continued from page 1)
which strongly opposed the required labeling petition and urged "self-initiated customer inquiry" as the best method of consumer protection.

Disappointed officials of the consumer-oriented CSPI called the denial "unresponsive to our concerns and to the law." Executive director Michael Jacobsen said the center hopes for "a change of mind" on the part of the USDA but has made no decision on future action to be taken.

For the moment, the USDA stand is clear. In a letter to Jacobsen disclosing the petition denial, Lett said: "The Department has no intention of requiring the disclosure of ingredients on labels of products prepared in 'fast-food' restaurants." Lett said the petition was being rejected "for the same reasons" that caused the USDA to decline to pursue restaurant food labeling in 1979 and cited the Reagan administration's hands-off regulation policy.

Among the reasons given by the USDA were the costs to both the regulated and the regulating parties. According to Lett, the imposition of such a program on an estimated 55,000 fast-food restaurants would entail "a significant impact on the private sector" plus "a considerable amount of public resources" to enforce the labeling.

The petition to the USDA and a similar one being considered by the FDA were initiated by the CSPI in the face of the 1979 across-the-board rejection of restaurant food labeling by the USDA, the FDA and the Federal Trade Commission.

The petitions argued that fast-food establishments are now "small, decentralized food manufacturing facilities," where composition is standardized, variety limited and most foods served in wrappers "that could easily accommodate ingredient information."

USDA officials rejected that argument, however, saying "the number and possible combinations of food components inside any one wrapper or container, e.g., buns, relishes, condiments and side orders of various foods, are likely to be enormous in even the most limited-menu operation."

Max & Erma's rolls menu

(Continued from page 1)
and large portions of french fries and onion rings to draw customers. In the past few years hamburger sales have dropped from more than 50% of total entrée sales to about 38% as a result of the company's earlier decision to broaden its menu. And that decline was anticipated, noted Emerson. "We wanted the customer to see more variety in our menus," he said, "and we expected burger sales to drop as a result. We were willing to take the consequences."

Although somewhat smaller, the new menu continues to emphasize variety. "People are eating lighter today, so we're offering smaller portions of some dishes," marketing chief Karen Brennan said. Pasta and stir-fry dishes and some salads are now available in two sizes, as is Max & Erma's signature hamburger.

"We always offered a 6-oz. burger," Brennan said, "but it just wasn't on the menu. Now we've decided to list it."

In addition, the chain is vying for a somewhat more upscale clientele by offering daily fresh fish selections, a series of grilled gourmet chicken sandwiches and more Italian and regional American dishes. The chain is also emphasizing the fact that all pastas are made on the premises.

A selection entitled "Light Combos"—including soup and sandwich, soup and quiche, salad and quiche and soup and salad—will be available as well.

Brennan explained that menu cuts came after a year of studying food counts, talking to store-level managers and other personnel and listening to comments from customers. Items that have been deleted include a salad Nicoise, fried mushrooms, a sausage sandwich, a tortellini dish, a hot-dog from the children's menu, a "mud pie" dessert and the entire category of omelets.

Some categories were simply trimmed back rather than axed altogether, Brennan said. Two stir-fry dishes, scallops and scallops and shrimp, have been deleted, although two others—chicken and shrimp—have been retained. A seafood chef's salad has been cut, but a standard chef's salad is still on the menu. Two moderately successful nacho dishes were combined into one, called the Nacho Grande, and a New York strip steak has been substituted for the filet mignon.

Although a number of the deleted items are currently being offered as daily lunch specials, the menu revamp "has simplified things operationally," Brennan said.

Max & Erma's ponderous 32-page menu has also been dramatically revamped. Despite the fact that the menu was graphically considered to be highly creative—it won a National Restaurant Association contest for its innovativeness—its Brobdingnagian size tended to confuse and frustrate patrons, Brennan admitted. "A lot of customers would get about 20 pages into it and then give up," she explained.

She said that the chain expects the new, streamlined menu to speed up the ordering process.

Average checks run about $6.50 at lunch and $9 at dinner. Bar business accounts for 33% to 35% of sales.

The financially troubled chain has been struggling in recent years to restore profitability. Damaged by poor site selection in the past, the company closed down four nonproductive units—in Toledo, Ohio; Cincinnati; Louisville; and Kansas City, Mo.—which resulted in a net loss of $761,000 on sales of $17.8 million in 1984.

And while fourth-quarter results for 1985 have not been released yet, Emerson estimated that total 1985 sales would be down about 7% from those of the year before. He attributed the drop to a "brutal" second quarter.

Valenza opens Buona Tavola

(Continued from page 1)
Friday and Saturday nights.

"Right now we're serving 18 to 23 customers a night, but we eventually want to add lunch and do 40 to 50 covers a day . . . period, no more," said Valenza. "Our break-even point is 20 covers a day. We want to maintain control over consistency, and the only way to do that is to prepare a set number of meals per day," he added.

Buona Tavola's complimentary antipasti include *pinzimonio* (vegetables with subtly seasoned olive oil dressing) followed by warm herbed black olives, crisp fried pasta dough, replacing traditional Italian bread, and nuggets of cheeses and salamis.

Next up is a selection of six antipasti choices, such as Sicilian Arancine, or "Little Orange," a rice ball filled with truffle paste and fontina cheese.

The minestra course, prepared for two, features specialties of both northern and southern Italy. The Po Valley dish, Fettuccine de Scheggino, is a puree of trout and black truffles; the Sicilian item, Bucatini con le Sarde, is thick spaghetti with fennel, anchovies, sardines, pignoli nuts, raisins and saffron sauce.

Valenza has managed to keep his start-up and operating costs relatively low. He employs only 9 front- and back-of-the-house workers and expects food and labor costs to average a combined 55% of sales.

"It cost us only $10,000 to open this place," Valenza said, pointing out "cosmetic changes"—fresh flowers and coats of pink paint; a sandstone, maroon and cream-colored exterior; and new moldings, awnings and curtains.

Valenza's introduction to East 58th Street was a pleasant one; his partners are brothers Nino and Bruno Selimaj, co-owners of Bruno, a northern Italian restaurant located directly across the street. The trio of restaurateurs has begun its own little northern Italian monopoly.

"The caliber of customer and food at Bruno and Buona Tavola are different," said Bruno Selimaj. "Bruno gets the customer who wants to spend $45 to $50 a meal. Buona Tavola is getting the Quilted Giraffe or Four Seasons customer, who dines for three to four hours and spends $150 to $200 a couple." The Selimaj brothers are Buona Tavola's principal investors, while Valenza operates the restaurant and supervises the kitchen.

Church's sees gain from loss

(Continued from page 3)
latest round of closings will cleanse the system."

This year's first quarter, analysts agreed, is expected to show positive comparable results because the profit-draining stores have been closed and the weather has not been so severe as last year's.

But real sales were down in late 1985, and analysts are uncertain whether the trend will reverse soon. Fourth-quarter comparisons were tough, however, because a successful chicken nuggets promotion boosted sales in the previous year.

Nuggets, considered profitable and viable, now account for about 4% of sales. Church's other recent new product, catfish, also registers about 4%.

Some analysts believe Church's lost momentum after it stopped promoting those two products, without rolling out backup items. Some also felt that sales of nuggets and catfish cannibalized sales of basic chicken products. In the case of catfish, especially, with its high food cost, profit margins were strained.

Margins have also been under pressure because of aggressive price promotions; for example, the 99¢ chicken offer. Falkner noted that there was "rampant price discounting" in the segment. Gary Trimarchi of the Riese Organization, Church's New York City franchisee, said the promotion had been effective in attracting new customers.

Currently in 200-unit test is Cajun rice. Sherman said there had been no decision yet on a rollout. Some analysts believe it will be a regional selection.

Church's expects to spend about $25 million this year on advertising, the same as it did last year. But observers said the chain would miss its former marketing chief, 38-year-old Fred Gonzales, who accepted an offer from Ponderosa. They give him high marks for developing and overseeing the first sustained national advertising program in Church's history.

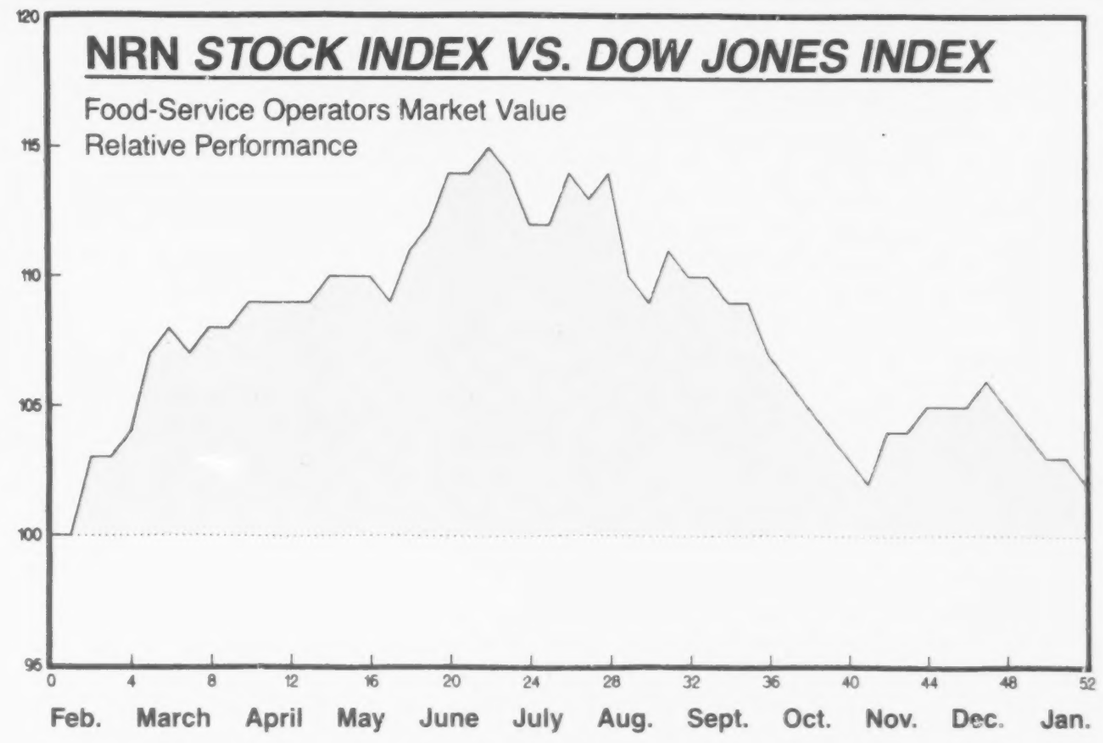
Hotel execs head for Texas

(Continued from page 3)
profit of 22% (excluding lease costs, but including other overhead, such as utilities) on food and beverage sales. Their replacements have not yet been named by hotel management.

Asked why he had decided to leave the relative safety of his job, Elmiger replied:

"I've been in the hotel business since I came to the States. It just got to the point where, after seeing so many other people do it [open their own restaurants], I figured I should try it myself. . . . I'd like to prove to myself I can do it."

Source: Media General Financial Services


NRN STOCK INDEX VS. DOW JONES INDEX
Food-Service Operators Market Value
Relative Performance
120
115
110
105
100
95
0 4 8 12 16 20 24 28 32 36 40 44 48 52
Feb. March April May June July Aug. Sept. Oct. Nov. Dec. Jan.

Oct. 28, 1983 = 100

Source: Media General Financial Services

Oct. 28, 1983 = 100

Stock Market / Financial Update

Company and Market	1-10-86 Close	Weekly Change Amt.	Weekly Change Pct.	Weekly Price Range High	Weekly Price Range Low	52-Week Price Range High	52-Week Price Range Low	Weekly Volume Shares Traded Total	Weekly Volume Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Latest	Latest Quarter Revenue Yr. Ago	Latest Quarter Net Income Latest	Latest Quarter Net Income Yr. Ago	Latest Quarter E.P.S. Latest	Latest Quarter E.P.S. Yr. Ago	Year-to-Date Revenue Latest	Year-to-Date Revenue Yr. Ago	Year-to-Date Net Income Latest	Year-to-Date Net Income Yr. Ago	Year-to-Date E.P.S. Latest	Year-to-Date E.P.S. Yr. Ago
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	$Mil	$Mil	$Mil	$	$	$Mil	$Mil	$Mil	$Mil	$	$
Primo Inc ..... O	1.38	- .13	- 8.3	1.50	1.38	3.88	1.13	325	.96	1.14	- 15.8	45.8	.00	.0		fiscal	09-85	2.4	.9	(.2)	(.2)	(.05)	(.07)	5.4	3.8	.1	(.2)	.03	(.08)
RAX Restaurants ..... M	7.50	.75	11.1	7.75	6.88	10.00	5.00	1,279	1.86	1.34	38.8	NE	.00	.0	.....	3 mos.	10-85	32.1	29.3	.3	.9	.04	.13	32.1	29.3	.3	.9	.04	.13
Rest Assoc ..... A	7.38	- .13	- 1.7	7.38	6.75	7.63	3.84	167	.59	.86	- 31.4	14.5	.10	1.4	.....	9 mos.	09-85	35.9	35.0	1.2	.4	.28	.10	104.9	97.8	1.5	1.0	.37	.25
Rest Mgmt ..... M	13.00	- .75	- 5.5	13.50	12.75	15.00	7.13	118	.56	3.18	- 82.4	18.8	.09	.7	.....	fiscal	10-85	8.6	6.6	.4	.3	.15	.16	35.3	26.4	1.9	1.4	.69	.65
Ritzys G D ..... M	1.38	.00	.0	1.44	1.25	3.63	1.13	212	.41	1.17	- 65.0	NE	.00	.0	.....	9 mos.	09-85	3.8	4.4	(3.1)	(.5)	(.60)	(.11)	10.7	10.6	(4.1)	(1.6)	(.79)	(.31)
Rusty Pelican ..... M	11.63	- .38	- 3.1	12.13	11.63	17.25	10.25	1,128	3.99	1.70	134.7	14.2	.00	.0	.....	3 mos.	10-85	14.3	10.6	.3	.3	.10	.14	14.3	10.6	.3	.3	.10	.14
Ryans Fam ..... M	22.38	.25	1.1	22.75	22.25	23.75	12.84	2,633	3.79	2.78	36.3	32.4	.00	.0	.....	9 mos.	09-85	13.1	18.0	1.3	.7	.19	.11	36.0	32.4	3.7	2.3	.53	.35
Saga Corp ..... N	23.63	- 1.38	- 5.5	25.63	23.63	34.25	20.75	683	.55	1.67	- 67.1	12.1	.52	2.2	.....	3 mos.	09-85	310.9	271.6	2.6	5.7	.20	.42	310.9	271.6	2.6	5.7	.20	.42
Sandwich Chef ..... M	8.88	13	1.4	9.00	8.00	9 13	6.88	215	1.70	1.16	46.6	15.6	.00	.0	.....	3 mos.	09-85	7.3	6.9	.2	.2	.16	.16	7.3	6.9	.2	.2	.16	.16
Sbarro Inc ..... A	18.13	- .88	- 4.6	19.88	17.63	20.13	11.13	604	1.59	1.19	33.6	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Sea Galley ..... M	4.25	- .13	- 2.9	4.38	4.00	9.50	3.75	603	1.90	3.01	- 36.9	3.2	.00	.0	.....	9 mos.	09-85	14.6	15.7	.1	2.3	.05	.58	44.5	48.3	2.4	5.3	.75	1.35
Shoney's Inc ..... M	25.88	- 1.00	- 3.7	27.00	25.88	31.88	24.00	7,822	2.74	1.98	38.4	19.9	.18	.7	.....	fiscal	10-85	132.8	109.8	9.6	8.3	.34	.29	546.6	469.8	37.2	30.2	1.30	1.09
Shoney's South ..... M	12.50	.00	.0	12.50	12.25	15.88	10.00	1,458	2.59	2.21	17.2	11.8	.00	.0	.....	9 mos.	09-85	43.7	39.7	1.7	1.8	.30	.32	138.1	126.2	4.7	5.8	.81	1.00
SIS Cp ..... M	6.00	- .25	- 4.0	6.25	6.00	6.75	3.75	125	.81	.74	9.5	NE	.00	.0	.....	9 mos.	09-85	4.0	2.1	.1	(.1)	.06	(.02)	9.9	5.6	.0	(.1)	.00	(.05)
Sizzler Rest Intl ..... M	16.25	- .25	- 1.5	16.75	16.00	17.75	10.84	930	.91	.88	3.4	15.2	.00	.0	.....	6 mos.	10-85	44.0	39.1	3.1	2.5	.29	.24	90.4	79.1	6.1	5.0	.59	.49
Skippers ..... M	9.63	- .75	- 7.2	10.13	9.63	12.50	8.75	656	2.41	2.42	- .4	10.1	.08	.8	.....	9 mos.	09-85	17.2	14.5	.5	.5	.21	.18	48.7	42.3	1.7	1.6	.62	.60
So Hospitality ..... M	4.38	.00	.0	4.50	4.38	5.88	3.75	596	1.20	1.69	- 29.0	10.7	.00	.0	.....	6 mos.	11-85	13.2	10.3	.4	.4	.07	.08	25.4	21.0	1.1	.8	.22	.16
Stuff Yer Face ..... O	.38	.00	.0	0.41	0.38	1.44	.22	936	.62	.66	- 6.1	NE	.00	.0	.....	3 mos.	06-85	.8	.5	(.1)	(.1)	(.01)	(.01)	.8	.5	(.1)	(.1)	(.01)	(.01)
Swensens Inc ..... O	1.25	.00	.0	1.44	1.25	3.13	1.00	31	.06	.38	- 84.2	NE	.00	.0	.....	9 mos.	09-85	2.8	12.7	.1	.2	.02	.04	8.6	18.0	(.2)	.2	(.02)	.05
Taco Villa ..... O	3.75	.00	.0	4.25	3.75	7.50	3.25	6	.01	.06	- 83.3	53.6	.00	.0	.....	9 mos.	09-85	22.4	7.2	(.3)	.3	(.04)	.08	56.5	21.5	.0	.9	.00	.23
Taco Viva ..... M	3.00	.13	4.3	3.00	2.88	7.50	2.50	71	.21	1.06	- 80.2	25.0	.00	.0	.....	3 mos.	08-85	6.3	6.6	.0	.3	(.01)	.09	6.3	6.6	.0	.3	(.01)	.09
TGI Friday's ..... N	8.00	- .38	- 4.5	8.50	7.88	12.38	7.00	936	.82	.60	36.7	12.3	.00	.0	.....	9 mos.	09-85	79.7	72.9	1.7	2.2	.09	.13	236.1	209.4	8.7	8.7	.48	.48
TGIF Texas ..... O	2.00	.00	.0	2.50	2.00	2.38	2.00	11	.07	.24	- 70.8	NE	.00	.0	.....	9 mos.	09-35	3.3	2.8	(.2)	(.1)	(.10)	(.07)	9.8	8.3	(.6)	(.3)	(.38)	(.20)
TCBY Enterprises ..... M	23.50	.75	3.3	24.25	22.50	25.88	3.94	3,688	5.08	5.08	.0	65.3	.00	.0	.....	9 mos.	08-85	6.0	1.8	1.2	.4	.17	.05	12.3	3.9	2.2	.7	.32	.10
Transworld ..... N	36.50	- 2.75	- 7.0	39.25	36.50	43.25	29.75	8,566	2.41	3.08	- 21.8	12.6	.48	1.3	.....	9 mos.	09-85	487.4	511.4	36.8	36.3	.96	1.07	1496.9	1479.1	83.9	85.5	2.15	2.39
USACafes ..... M	4.88	.13	2.6	5.00	4.63	6.00	3.50	1,158	1.84	1.50	22.7	12.2	.28	5.7	.....	fiscal	09-85	6.0	4.0	.8	.5	.14	.09	19.9	15.9	2.5	2.1	.40	.38
Vicorp Restaurants ..... M	16.00	- 1.50	- 8.6	17.50	16.00	28.25	15.00	8,401	9.97	5.33	87.1	14.3	.12	.8	.....	9 mos.	07-85	93.9	67.4	3.1	2.7	.33	.41	286.4	154.4	5.9	5.8	.67	.87
Victoria Stations ..... M	.94	.00	.0	0.94	0.88	4.38	.56	323	.70	3.46	- 79.8	NE	.00	.0	.....	6 mos.	09-85	20.1	22.2	(3.2)	(1.7)	(.72)	(.47)	40.6	45.9	(5.2)	(2.5)	(1.23)	(.70)
Wendys Intl ..... N	16.50	- .13	- .8	17.13	16.25	19.13	12.47	10,564	1.44	1.63	- 11.7	16.2	.24	1.5	.....	9 mos.	09-85	303.3	249.0	20.8	18.8	.28	.26	830.2	694.9	57.6	51.1	.78	.70
Wstn Steer ..... M	14.25	.00	.0	14.50	13.50	14.50	9.00	133	1.09	.53	105.7	12.4	.20	1.4	.....	9 mos.	11-85	12.6	11.2	.5	.1	.39	.05	35.8	31.0	1.2	.5	.93	.38
Winners Cp ..... N	7.75	.63	8.8	8.00	7.38	9.63	5.13	1,571	3.91	3.60	8.6	NE	.00	.0	.....	9 mos.	09-85	31.6	27.3	(1.5)	.2	(.37)	.05	83.5	79.7	(1.9)	1.3	(.47)	.30
Hotels, Motels, and Casinos																													
Brock Hotel Cp ..... N	1.13	.25	28.6	1.38	0.88	4.00	.56	4,629	3.28	1.61	103.7	NE	.10	8.9	.....	9 mos.	09-85	55.8	61.0	(39.1)	(24.6)	(2.81)	(1.87)	184.5	202.4	(39.0)	(26.3)	(2.80)	(2.00)
Hilton Hotels ..... N	62.88	- 1.00	- 1.6	64.75	62.63	73.50	55.75	1,336	.54	1.15	- 53.0	13.6	1.80	2.9	.....	9 mos.	09-85	169.2	205.4	20.4	24.3	.82	.93	528.1	504.9	71.4	68.0	2.87	2.56
Holiday Cp ..... N	59.38	.88	1.5	62.00	58.38	62.00	46.00	3,907	1.44	1.29	11.6	12.7	1.00	1.7	.....	9 mos.	09-85	489.8	473.9	50.8	49.7	1.83	1.37	1387.3	1328.9	116.7	110.4	4.07	3.00
Prime Mtr Inn ..... N	39.25	- 1.13	- 2.8	40.63	38.63	41.50	19.31	2,983	1.54	1.40	10.0	28.4	.09	.2	.....	3 mos.	09-85	74.5	47.9	7.8	5.8	.40	.30	74.5	47.9	7.8	5.8	.40	.30
Ramada Inns ..... N	7.50	.13	1.7	7.88	7.25	9.50	6.25	10,979	2.95	2.22	32.9	28.8	.00	.0	.....	9 mos.	09-85	157.1	155.1	10.5	6.0	.28	.16	444.5	446.4	11.5	6.8	.31	.18
Servico Inc ..... M	22.00	.75	3.5	22.75	21.00	26.25	13.63	319	.84	1.29	- 34.9	16.4	.00a	.0	.....	9 mos.	09-85	42.3	48.9	.9	3.4	.23	.90	135.4	139.1	5.1	6.2	1.34	1.64
Sonesta Intl ..... M	23.25	.00	.0	25.75	23.25	27.00	19.50	1	.01	.05	- 80.0	6.4	.40	1.7	.....	9 mos.	09-85	19.8	20.9	.0	(.6)	(.01)	(.38)	52.7	57.2	(.3)	(.6)	(.21)	(.41)
Other Companies with Food-Service Operations																													
Allegheny Bev ..... M	25.88	- .13	- .5	26.63	25.75	26.63	15.00	5,495	8.86	5.53	60.2	NE	.40	1.5	.....														
Ch Full O Nut ..... N	8.75	- .75	- 7.9	9.63	8.50	11.41	7.03	556	1.14	1.09	4.6	NM	.00a	.0	.....	3 mos.	10-85	31.8	26.5	.2	.1	.03	.03	31.8	26.5	.2	.1	.03	.03
Disney, Walt ..... N	114.50	1.00	.9	120.25	113.38	120.25	63.00	5,804	1.77	1.59	11.3	22.2	1.20	1.0	.....	fiscal	09-85	590.5	471.8	53.8	(64.0)	1.60	(1.78)	2015.4	1690.1	173.5	21.7	5.15	.61
Gen Mills ..... N	58.13	- 2.25	- 3.7	61.63	57.63	69.25	47.75	5,358	1.20	1.42	- 15.5	43.7	2.24	3.9	.....	6 mos.	11-85	1203.5	1559.4	46.0	55.6	1.03	1.23	2271.4	2945.8	94.9	109.7	2.13	2.43
Grace W R ..... N	51.88	4.63	9.8	52.25	46.88	52.25	35.50	28,947	5.96	2.68	122.4	16.3	2.80	5.4	.....	9 mos.	09-85	1758.1	1658.3	25.3	33.1	.41	.68	5246.9	4897.0	102.2	136.5	1.96	2.80
Horn & Hardart ..... A	7.25	- .38	- 4.9	8.00	7.13	12.00	6.00	3,036	2.48	1.51	64.2	NE	.00a	.0	.....	9 mos.	09-85	84.1	85.8	(5.9)	.5	(.50)	NC	257.7	265.9	(7.6)	6.6	(.66)	.49
Ogden Corp ..... N	30.75	- 1.88	- 5.7	33.00	30.50	34.63	26.50	3,207	1.68	1.23	36.6	20.0	1.80	5.9	.....	9 mos.	09-85	263.8	525.3	4.5	8.2	.22	.42	766.1	1612.4	21.9	31.4	1.12	1.63
PepsiCo Inc ..... N	70.50	- 1.88	- 2.6	73.63	70.00	75.38	41.00	11,993	1.31	1.15	13.9	12.2	1.78	2.5	.....	9 mos.	09-85	2071.8	1934.3	135.3	118.3	1.47	1.24	5636.2	5425.9	454.4	259.0	4.81	2.72
Pillsbury Co ..... N	58.50	- 2.50	- 4.1	61.50	58.50	63.50	38.75	5,513	1.27	1.00	27.0	13.8	1.72	2.9	.....	6 mos.	11-85	1527.9	1256.5	55.0	66.1	1.26	1.52	2755.7	2280.0	97.7	105.0	2.24	2.42
Restec ..... O	3.00	.00	.0	3.75	3.00	3.75	3.00	15	.08	.41	- 80.5	NE	.00	.0	.....	fiscal	06-85	1.2	.7	(.1)	.1	(.02)	.01	4.7	2.9	(.1)	.1	(.05)	.04
Reynolds, RJ ..... N	31.38	- .38	- 1.2	33.25	31.25	35.00	24.75	48,874	1.95	1.56	25.0	9.5	1.48	4.7	.....	9 mos.	09-85	4764.0	2459.3	257.0	253.0	.91	.84	11066.0	7147.7	667.0	685.0	2.43	2.26
Southland Corp ..... N	43.75	- .50	- 1.1	44.75	43.50	50.00	25.13	9,014	1.90	1.92	- 1.0	10.4	1.00	2.3	.....	9 mos.	09-85	3342.3	3185.4	79.3	56.9	1.65	1.21	9479.0	9023.9	169.0	129.7	3.55	2.76
Vie de France ..... M	6.63	- .25	- 3.6	6.88	6.63	13.50	6.50	1,860	1.72	1.49	15.4	13.5	.23	3.5	.....	3 mos.	09-85	14.3	14.2	1.0	1.4	.10	.13	14.3	14.2	1.0	1.4	.10	.13

Data and Table Provided by Media General Financial Services, Inc., Richmond, Virginia 23219

NOTES AND EXPLANATIONS: Market: N—New York Stock Exchange. A—American Stock Exchange. O—NASDAQ Over-The-Counter. M—NASDAQ National Market. **Reporting Period:** 3 mos.—First quarter of fiscal year. 6 mos.—First six months of fiscal year. 9 mos.—First nine months of fiscal year. fiscal—Fiscal year. NEW—New report since last issue. **General Field Footnotes:** NA—Not available or not applicable. NC—Data required for calculation currently incomplete in our files. NE—Negative earnings invalidate calculations. NM—No meaningful figure. a—stock dividend. b—cash plus stock dividend. **The Charts:** The *NRN* Stock Index calculates the per cent change in the market value of food-service operators since Oct. 28, 1983. The *NRN* Stock Index vs. Dow Jones Index calculates the relative performance of the two indexes from their levels of 52 weeks ago.